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SUBJECT: AUSTRIA BEGINS POST-ELECTION COALITION TALKS

REFS: VIENNA 1455  
VIENNA 1418

¶1. (U) Summary: President Fischer on October 8 authorized SPO Chairman Werner Faymann to try to form a government, in recognition of the SPO's first-place finish in the September 28 parliamentary elections. Faymann, and Fischer, continue to favor a renewed SPO-OVP "grand coalition." OVP Chairman Josef Proell seems to agree, but must contend with those in his party who favor either teaming up with the far right FPÖ and BZÖ or going into opposition. SPO-OVP coalition talks will be complicated by the OVP's opposition to the SPO's policy calling for referenda on future EU treaties. Still, a grand coalition is the most likely outcome, particularly because there are few unproblematic alternatives. End Summary.

Fischer Mandate to Faymann  
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¶2. (U) Immediately after giving Faymann the mandate to form a government, President Fischer indicated that he would like to see the SPO and OVP move quickly to form a renewed grand coalition. The outgoing grand coalition collapsed in July after an 18-month tenure; the SPO and OVP have since appointed new leaders. Taking note of the global financial crisis, Fischer averred that Austria could not afford to wait long for a stable government to emerge.

Faymann: OVP Only Viable Partner  
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¶3. (U) After receiving the mandate, Faymann reiterated his longstanding rejection of the far right FPÖ and BZÖ as coalition partners, and repeated his commitment to negotiating only with the OVP on a new government. Faymann acknowledged that this position leaves him little room to maneuver, but averred that an SPO-OVP coalition is the best option for Austria. He promised not to set any preconditions, saying he would not claim in advance any ministerial portfolios for the SPO. He encouraged the OVP to put together a team for coalition talks within the next two weeks.

OVP Soulsearching  
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¶4. (U) The OVP is going through a major restructuring following the departure of Wilhelm Molterer as party chairman and Wolfgang Schuessel as parliamentary floor leader immediately following a dismal election performance. The party's September 29 decision to designate Proell as chairman marked the end of the "Schuessel era," which peaked from 2000 to 2006 when Schuessel was Chancellor, but deteriorated rapidly over the last two years as Schuessel tried to pull the strings behind the scenes with Molterer as Vice-Chancellor. The Schuessel camp, including FM Plassnik and Economics Minister Bartenstein, lost its influence and will probably not be represented in the next government. The party now is split among grand coalition supporters, advocates of a coalition with the FPÖ and BZÖ, and those who would prefer to go into opposition. The OVP has set November 28 as the date for a party convention to formally elect Proell party chairman. Until then, Proell will attempt to consolidate the party by meeting with the rank-and-file throughout Austria

¶5. (U) Proell has said the OVP will decide by the end of October whether to try to enter the government or move into opposition. In the meantime, Faymann has agreed to Proell's suggestion that the SPO and OVP engage in talks with the other parties to discuss major reforms that will require a two-thirds majority in parliament.

#### EU Policy a Bone of Contention

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¶6. (U) EU policy will be a bone of contention in any SPO-OVP coalition talks. OVP leaders insist the SPO must give up its position calling for referenda on future EU treaties; the SPO maintains that no new treaty is expected during the current legislative term (ending in 2013), and therefore there is no need to address the matter in a coalition pact. The OVP cited the SPO's new policy on EU referenda as its motive for calling for new elections in July.

#### FPO-BZO Gadflies

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¶7. (U) In an effort to influence OVP members as they struggle to set a new course, FPO leader Heinz Christian Strache and BZO Chairman Joerg Haider announced after an October 8 meeting that they were ready to cooperate with the OVP in a coalition government. Strache and Haider have been bitter rivals since Haider broke off from the FPO to form the BZO in 2002, and political observers often note that the two far right leaders can't agree to have coffee together, let alone govern together. But, for the moment at least, they seem to share an interest in inserting their parties into the coalition formation process. Haider and Strache have both ridiculed Faymann

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for refusing to consider them as coalition partners, and have declared their refusal to provide legislative support to a potential SPO minority government.

#### Comment: Drifting Toward Grand Coalition?

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¶8. (SBU) On the surface, it appears that Faymann and Proell are drifting toward an SPO-OVP coalition. This is hardly surprising, given that both are political pragmatists known to favor grand coalitions, to which there are few unproblematic alternatives. At the same time, however, OVP contacts tell us their party will lose support over the long term if it continues to serve as junior coalition partner. The number two party in a coalition, they say, gets the worst of both worlds -- no credit for government achievements, and no support from protest voters unhappy with the government.

¶9. (SBU) Still, the alternatives for the OVP are hardly appealing. A right-of-center coalition with the FPO and BZO would mean teaming up with two controversial parties that engage in polarizing rhetoric and hold anti-EU policies that clash with the OVP's positions. Moving into the opposition would likely bring about a weak, short-lived SPO minority government. That would probably lead to another election next year, in which Austrian voters could well hold the OVP responsible for the unstable political situation. When all is said and done, a grand coalition is the most likely outcome, though it could take months to form. It is not clear, however, whether a new grand coalition with a restless OVP will be any more stable than the last. GIRARD-DI CARLO